

**DEPARTMENT OF STATE REVENUE**  
**LETTER OF FINDINGS NUMBER: 03-0124P**  
**Adjusted Gross Income Tax**  
**For Calendar Year 2000**

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**ISSUE(S)**

**I. Tax Administration – Penalty**

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalties assessed.

**STATEMENT OF FACTS**

Taxpayer protests the proposed assessment for the late penalty and the underpayment of estimated income taxes that it paid with the filing of the return. Taxpayer states that it was not aware that it would need to recognize \$6,704,746 of discharge of indebtedness income generated by its parent corporation until after April 15, 2001.

**I. Tax Administration – Penalty**

**DISCUSSION**

Taxpayer protests the penalties assessed for the underpayment of estimated income taxes and the late payment of taxes. Taxpayer states that it was unaware that the parent company generated additional income until after the due date of the return.

Taxpayer failed to pay one hundred percent of its prior year's estimated taxes by the due date of the return and did not pay ninety percent (90%) of its tax liability by the original due date which generated a late payment penalty.

Although the taxpayer timely remitted quarterly estimated payments, it failed to remit one-hundred percent of the prior year's tax by the due date of the return. Taxpayer remitted the estimated payment penalty with its tax return and has not provided cause to allow the Department to refund the payment.

IC 6-8.1-6-1 (a) states:

“If a person responsible for filing a tax return is unable to file the return by the appropriate due date, he may petition the department, before that due date, for a filing extension. The person must include with the petition a payment of at least ninety percent (90%) of the tax that is reasonably expected to be due on the due date.”

IC 6-8.1-6-1(d) states:

“Any tax that remains unpaid during an extension period accrues interest at a rate established under IC 6-8.1-10-1 from the original due date, but that tax will not accrue any late payment penalties until the extension period has ended.”

Taxpayer remitted sixty-eight percent (68%) of the tax that it reasonably expected to be due by the due date which amounted to only fifty-five (55%) of the prior year’s tax.

Taxpayer has not provided reasonable cause to allow penalty waivers. Procedures should have been in place to assure that taxes were timely paid.

### **FINDING**

Taxpayer’s protest is denied.